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DEPARTMENT OF TREASURY
LANSING**

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TO: Participating Schools and Lenders

FROM: Diane Todd Sprague, Director

DATE: March 26, 2007

SUBJECT: Educational Loan Notes

MGA DEFAULT AVERSION SYMPOSIUM III

This is a reminder that on Thursday, April 5, 2007, the third installment of the Michigan Guaranty Agency (MGA) sponsored Default Aversion Symposium Series entitled, "A Holistic Approach to Default Aversion," will be held at the Kellogg Center in East Lansing. Registration will begin at 8:30 a.m., with the program running from 9:00 a.m. until approximately 3:30 p.m.

In conjunction with the Michigan Statewide Default Prevention Project and the united goal that we all share in ensuring that Michigan students avoid loan default, this installment will focus on the many dynamic and interdependent pieces of the default aversion puzzle. When financial aid administrators work in tandem with other parties who have a vested interest in student success, a synergistic approach develops which yields highly efficient and successful results. Participants will explore potential partners in default aversion (even those outside of higher education), how to get the best results with partners, and new tactics to help bolster a school's default aversion efforts.

Due to an unforeseen problem, Mary Stuart Hunter, Director of the National Resource Center for the First-Year Experience and Students in Transition at the University of South Carolina, will not be the keynote speaker at the symposium as previously announced. She has highly recommended Drew Koch, director of Student Access, Transition and Success Programs at Purdue University as a replacement speaker. He will present Ms. Hunter's information on her behalf and draw on his own experience developing programs for student success. Mr. Koch's department addresses the student experience as a continuum, beginning with preparation for college and continuing through graduation.

The event will also feature Justin Draeger, Assistant Director for Communications, National Association of Student Financial Aid Administrators. Justin's presentation will focus on how understanding

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the principles of dynamic thinking helps us link to different people and organizations to effectuate better default aversion results. Sometimes it's easy to see how changes in *Step A* affect *Step B*, but how do changes in *Part A* effect *Part Z*? Dynamic versus static thinking will be discussed, and a student's collegiate career will be mapped out to determine if there are "impact points" where financial aid administrators – in tandem with others in and outside higher education – can promote successful student loan repayment.

Participants may register for this free event by visiting our Web site (mgaloan.com) where the electronic [registration form](#) may be accessed under the "What's New" section on our homepage. **Everyone is welcome, however registration is required.**

The meeting site is handicapped accessible, including parking. Individuals with disabilities who need mobility, visual, hearing, and/or other assistance for effective participation should indicate such needs when registering. All such requests should be directed to Stacy Cardwell at 1-800-642-5626, extension 36074, at least ten days before the event. Any requests received after March 26 cannot be guaranteed.

We hope you will be able to join us on April 5. If you have any questions, please feel free to contact Toots Lapata-Victorson at VictorsonT@michigan.gov or by telephone at extension 30296.

MGA SPRING SCHOOL WORKSHOP – MARK YOUR CALENDAR!

MGA's 2006 Spring School Workshops will be held on Monday, May 14 at Schoolcraft College's VisTaTech Center in Livonia and on Tuesday, May 15 at Kalamazoo Valley Community College. Mason Moton, Regional Training Executive, will be the presenter. Tentative agenda topics include:

Overview of Federal Verification and Taxes

This session provides insight on the collected information on the Free Application for Federal Student Aid (FAFSA) worksheets A, B, and C about families' untaxed income and benefits. It will also provide reference information about several aspects of verification requirements and

policies, some topics that include required verification items, tolerance, and documentation requirements.

The Role of Student Loan Guarantors

This session focuses on the role of the guarantor within the Federal Family Education Loan Program (FFELP), and explores the connection between key FFELP partners and the guarantor. Participants will have a broader perspective of the role of guarantors in the FFELP process.

Federal Update

With the Higher Education Reconciliation Act, the election of a new congress, and reauthorization, there are many changes taking place in financial aid. This session looks at these changes and answers participants' questions.

How are Financial Aid Laws and Regulations Made?

This reference section reviews how financial aid rules are produced, the difference between legislation and regulations, and the process that brings them into being. What is a Notice of Proposed Rule Making (NPRM) and how does it differ from a final regulation? What is a Dear Colleague Letter and is it different from a Dear Partner Letter? How seriously should you take an Interim Final Regulation? This session will provide answers to those questions.

Consumer Information

Schools participating in Title IV programs are required to disclose specific information to current and prospective students and staff. ED stresses the importance of providing students with reliable information regarding a school's academic programs, facilities, and financial aid programs. This session will teach you to identify categories of information that your school must provide. You will learn different methods of disseminating information and how to identify the required information, reports, and deadlines.

Citizenship

In addition to all other General Eligibility Requirements, a student must be a citizen or eligible non-citizen to receive aid from the federal student aid programs. This topic covers

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citizenship requirements and issues surrounding documenting students' citizenship for Title IV financial aid purposes.

The meeting sites are handicapped accessible, including parking. Individuals with disabilities who need mobility, visual, hearing, and/or other assistance for effective participation should indicate such needs when registering. All such requests should be directed to Nancy Vaughn at extension 31871 at least ten days before the workshop. Requests received after that time cannot be guaranteed.

The workshop announcement will be sent electronically in April with a complete agenda and registration form. If you have questions or suggestions for topics to include in workshops, please feel free to contact Nancy Vaughn at extension 31871 or via email at vaughnn@michigan.gov

ANNUAL BORROWER LOAN DEBT SUMMARY REPORT

The Michigan Guaranty Agency has a report available for schools to use in their Default Aversion and Early Awareness efforts. The Borrower Loan Debt Summary Report can be generated by MGA for any school that would like a list of all borrowers and their cumulative loan debt guaranteed by MGA.

The report is available in two options:

Option One: Includes only data from loans guaranteed by MGA and can target borrowers at specific grade levels. For example, a school may wish to send every second-year student a copy of their cumulative loan debt amounts. Several schools have commented that borrowers can sometimes go through their entire program without knowing the cumulative amount of their loan debts. For that reason schools may prefer to send this report to borrowers after their second year while other schools may prefer to send it during the third year. MGA can generate the Borrower Loan Debt Summary Report for any academic year the school chooses. This report may serve as a reminder to borrowers and may encourage them to borrow less in future academic years.

Option Two: Includes data from loans guaranteed by MGA as well as National Student Loan Data System (NSLDS) loan volume. This means loans guaranteed by other guarantors and Federal Direct Loan Program (FDLP) volume would be included in the report. While this report will contain better data for borrowers with loans from multiple guarantors or FDLP loans, it cannot be used to target a specific grade level. Schools that choose this option will receive a report for every borrower in their population with loans. In addition, the report is currently generated with **two** copies of each borrower's report. This can become cumbersome for schools with a large student population. Enhancements to this report to eliminate one copy of each borrower's report and allow for grade-specific targeting should be available in the spring of 2008.

Schools that are interested in receiving this report or that have questions should contact Stacy Cardwell at extension 36074 or via email at cardwells@michigan.gov.

AVERAGE LOAN FEES

MGA can assist schools in calculating "average loan fees" which are used in a student's Cost of Attendance. This information fulfills the requirements as stated in the Federal Student Aid Handbook: Chapter 2, Volume 3 - Calculating Awards & Packaging. A portion of the paragraph follows:

For students receiving FFELP loans, the fees required to receive the loans are the origination fee and insurance premium fee. You may either use the exact loan fees charged to the student or an average of fees charged to borrowers of the same type of loan at your school.

MGA can provide:

- Total amount of Stafford loans guaranteed, number of undergraduate borrowers, and the average Stafford loan amount.
- Total amount of Stafford and Grad PLUS loans guaranteed, number of graduate borrowers, and the average loan amount.

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- Total amount of PLUS loans guaranteed, number of borrowers, and the average PLUS loan amount.

The “average loan amounts” are based on all borrowers with Stafford, GRAD PLUS, and PLUS loans from your school guaranteed by MGA during the period of July 1, 2006, through February 28, 2007.

If you are interested in obtaining your school’s average loan amounts, please contact Stacy Cardwell via email at cardwells@michigan.gov or by telephone at extension 36074.

CUSTOMER SERVICES NEWS

The Michigan Guaranty Agency is pleased to introduce the two newest members of its Customer Services team. Pat Fromm and Tom Trudgeon both recently joined the Customer Services Unit and are busy acquiring the skills and knowledge that will enable them to effectively address the needs of schools, lenders, and borrowers.

Pat Fromm began her career with MGA in 1990 as a member of the administrative support staff for the Claims and Collections Section. Some of you may already know Pat through her most recent position as secretary for the Guaranty Services Section.

Pat enjoys spending time with her husband and their 11-year old son whether they are camping, watching a movie, playing games, or just “hanging out” together. She also enjoys crafting, and it is interesting to note that her favorite crafting tool is not a sewing machine or knitting needles – it is the computer. Using the many graphics that she has collected through the years, Pat creates everything from clocks to personalized notebooks.

Pat’s position in the Customer Services Unit will include a special focus on lender issues. She can be reached at extension 36076, or via email at frommp@michigan.gov.



Tom Trudgeon comes to MGA from the Michigan Higher Education Student Loan Authority’s (MHESLA) FFELP Section, where he has worked for the past year as a customer service representative. Prior to that Tom worked in the private sector and has over 20 years of experience in the banking and real estate appraising industries.

Tom’s favorite pastime is canoeing. From March through September you’ll find Tom and his son and daughter, along with his son in-law, all competing in canoe races throughout Michigan. Tom currently resides in Grand Ledge (conveniently located near the Grand River) with his girlfriend. They are looking forward to being grandparents soon, with Tom’s daughter expecting her first baby in late May.

Tom can be reached at extension 31940 or via email at trudget@michigan.gov.

We are excited to have Tom and Pat on board and know that they will be an asset to our Customer Services team. Please join us in welcoming them to their new positions within MGA’s Customer Services!

NEW FEDERAL CONSOLIDATION LOAN APPLICATION AND PROMISSORY NOTE

ED has released Dear Colleague Letter FP-07-03 (DCL 07-03) which announces the approval of the revised Federal Family Education Loan Program Consolidation Loan Application and Promissory Note. Program participants may start using the new forms immediately, however, beginning October 1, 2007, **only** the new forms may be provided to borrowers. Lenders and lender servicers may process the prior version of the Federal Consolidation Loan Application and Promissory Note if that form is received by the lender after October 1, 2007. Other information such as production instructions and obtaining copies for reproduction is provided in DCL 07-03, as well.

DCL 07-03 and the new Consolidation Loan Application and Promissory Note and other related documents are available on the

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Information for Financial Aid Professionals (IFAP) Web page at: <http://www.ifap.ed.gov/dpceletters/FP0703.html>. Updated forms are also available on our Web site at mgaloan.com.

If you have questions regarding the new Consolidation Loan Program forms please contact Janet McKeown at extension 51723 or via email at mckeownj@michigan.gov.

COLLEGE GOAL SUNDAY

College Goal Sunday 2007 marked the fourth year in a row that the state of Michigan has participated in this event where students and families are provided assistance with completing the Free Application for Federal Student Aid (FAFSA). Michigan hosted a record 27 sites – an increase from 22 sites in 2006. The number of participants statewide also increased. The total number of students served in 2006 was 1,283. The total number served in 2007 was 1,900.

Again this year, the Student Financial Services Bureau of the Michigan Department of Treasury hosted the Lansing site at Lansing Community College–West Campus. The Lansing site numbers held steady compared to 2006. Last year, 97 students were served and this year 109 students were served. In total in 2006, 171 students and families attended College Goal Sunday, and in 2007 177 students and families attended the event.

College Goal Sunday is staffed by volunteers, all of whom have financial aid expertise to offer students and families. At the Lansing site, eight staff from the Michigan State University Financial Aid Office, two staff from the Lansing Community College Financial Aid Office, one guidance counselor from Potterville High School, and 13 staff from the Student Financial Services Bureau provided assistance with completing the FAFSA. Many thanks to all of the dedicated professionals who participated in College Goal Sunday throughout the state.

For further information regarding College Goal Sunday, please contact Peggy LaFleur at extension 38319 or via email at laflerup@michigan.gov.

THE “ED” PIPELINE

Following is a description and link to some of the most recent ED correspondence for schools and lenders.

Dear Partner **February 2007** **ANN-07-02**

This letter announces Federal Student Aid’s 2007-08 online, instructor-led training sessions on the Return of Title IV Funds (R2T4) software. Topics covered include using the online R2T4 calculation software properly to calculate the return of federal funds resulting from student withdrawals. This session includes the changes to the R2T4 calculation resulting from the Higher Education Reconciliation Act of 2005.

Dear Partner **February 2007** **ANN-07-03**

This letter announces Federal Student Aid’s 2007-08 online, instructor-led training sessions on Applicant Data Resolution. Topics covered include resolving student application data rejects and using ED’s Web-based systems to correct errors.

Dear Partner **March 2007** **FP-07-02**

This letter announces the revised Promissory Note Addendum and Plain Language Disclosure for Federal Stafford loans made under the Federal Family Education Loan Program.



LENDER LIST UPDATES

School personnel continuing to use their paper copy of MGA's "Participating Lender List" should record the following actions on the list dated May 12, 2006. Please make the appropriate changes in all sections of the list as needed.

To access the most current lender information and eliminate the need for manual updates, use the electronic version of MGA's "Participating Lender List" available at mgaloan.com. Select "Financial Aid Professionals," and then "FAA Resources." If you have any questions regarding these updates, please contact Pat Fromm at extension 36076 or via email at frommp@michigan.gov.

No Longer Participating

The following lenders are no longer participating in FFELP with the Michigan Guaranty Agency. Please delete their lender information.

Lansing Community Credit Union, 831964
Mellon Bank, N.A., 830447
Northwest Consumers Federal Credit Union,
813171
Peninsula Bank, 806089

SCHOOL LIST UPDATES

The following changes should be recorded by lenders on MGA's "Active Michigan School List" dated January 17, 2007. If you have any questions regarding these changes, please contact Stacy Cardwell at extension 36074 or at cardwells@michigan.gov.

Contact Information Update

Carnegie Institute, Troy, 007617-00
 Roxanne Gerling's email address is rgerling@carnegie-institute.edu.

Grand Valley State University, Allendale, 002268-00

Delete Ken Fridsma. Sheila Klemm is the Associate Financial Aid Director. Sheila's email address is klemms@gvsu.edu. The telephone and fax numbers remain the same.

Siena Heights University, Adrian, 002316-00
 Chris Howard's email address has changed to choward@sienaheights.edu.

"Q AND A"

Can more than one parent borrower obtain a PLUS loan for the same dependent student and loan period?

Yes, each of a dependent student's eligible parent borrowers may borrow separately to provide for the educational expenses of the student – provided that the combined borrowing of the parent borrowers does not exceed the student's cost of attendance minus the student's estimated financial assistance (EFA), also known as resources. Also remember that for the purposes of obtaining a PLUS loan, an eligible parent borrower is a student's biological or adoptive mother or father. The spouse of a parent who is remarried is also an eligible parent borrower if the spouse's income and assets would have been taken into account when calculating a dependent student's expected family contribution (EFC). Refer to the *Common Manual*, subsection 5.1.C

May a school increase the amount of an existing Stafford loan after the end of the loan period?

Yes, a school may increase an existing Stafford loan after the loan period has ended and deliver a late disbursement of the additional loan amount if both of the following conditions are met:

- An electronic certification record existed for the Stafford loan prior to the end of the loan period; and
- The school determines that the student was eligible to receive additional funds during that period.

The late disbursement rules will apply in this case, and the loan money will need to be delivered to the student within 120 days of the end of the loan period. For more information regarding late disbursement rules, see the *Common Manual*, subsection 8.7.E.

Calendar of Upcoming Events

March 2007

- 29 Mapping Your Future OSLC Online Training
11:00 a.m. Eastern

April 2007

- 5 MGA Default Aversion Symposium III
"A Holistic Approach to Default Aversion"
Kellogg Center
East Lansing
- 10 Mapping Your Future Evening Chat
7:00-8:00 p.m. Eastern
General financial aid, student loan, and money
management questions.

May 2007

- 14 Spring School Workshop
Schoolcraft College
Livonia
- 15 Spring School Workshop
Kalamazoo Valley Community College
Kalamazoo
- 28 MGA Offices Closed

If you need further information or wish to submit items for the calendar, please contact
Jim Peterson, Editor, at extension 36944 or via email at petersonj@michigan.gov.